

Message Text

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ACTION EUR-25

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NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

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AMEMBASSY VIENNA

USMISSION EC BRUSSELS

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL FLORENCE UNN

AMCONSUL GENOA UNN

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AMCONSUL TURIN UNN

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E.O. 11652: GDS

TAGS: PINT, ELAB, IT

SUBJECT: LABOR'S ATTITUDE ON GOVERNMENT'S AUSTERITY MEASURES

REF: ROME'S 9311 AND 9232

1. BEGIN SUMMARY. LABOR'S RESPONSE TO THE GOVERNMENT'S AUSTERITY MEASURES WILL BE MADE ON JULY 13. THOUGH THE NATURE OF THIS RESPONSE IS AN OPEN QUESTION, LABOR UNHAPPINESS WITH THE MEASURE IS CONSIDERABLE. SUBSTANTIAL UNEMPLOYMENT, ACCOMPANIED BY LARGELY UNCHECKED INFLATION, IS FEARED. THE UNIONS ARE KEENLY DISAPPOINTED WITH THE ABSENCE OF BASIC REFORMS IN THE GOVERNMENT'S PROGRAM. WHILE VIRTUALLY ALL ELEMENTS OF ORGANIZED LABOR SHARE THESE ATTITUDES, THERE IS DISAGREEMENT OVER THE EXTENT TO WHICH PRESSURE OUGHT TO BE APPLIED, PARTICULARLY SINCE LABOR HAS NO DESIRE TO BRING ABOUT THE FALL OF THE GOVERNMENT. END SUMMARY.

2. FEDERATION CGIL-CISL-UIL (CCU) IS PREPARING FOR ITS DEFINITIVE RESPONSE ON JULY 13 TO THE GOVERNMENTAL MEASURES WHICH ARE BEING IMPLEMENTED IN ORDER TO STEM THE ADVERSE ECONOMIC TRENDS WHICH THREATEN ITALY'S NATIONAL VIABILITY. IT IS ALREADY CLEAR THAT THE UNIONS DO NOT LIKE THE GOVERNMENT PROGRAM AT ALL. WHAT IS LESS CLEAR IS WHAT THEY INTEND TO DO, OR CAN DO, ABOUT THEM.

3. IT IS LABOR'S CONVICTION THAT THE VARIOUS GOVERNMENTAL MEASURES IN THE AGGREGATE WILL CREATE AT LEAST 500,000 ADDITIONAL UNEMPLOYED BEFORE THE END OF THE YEAR. THEY FURTHER FEAR THAT THE MEASURES WILL NOT STEM THE INFLATIONARY TIDE -- THAT THE "REGRESSIVE" PRICE INCREASES BEING LEVIED ON MASS CONSUMED ITEMS SUCH AS CERTAIN FOODSTUFFS AND MOTOR FUEL WILL SIMPLY TRIGGER LARGE-SCALE WAGE ESCALATION. IN SUM, THEY FEAR BOTH UNEMPLOYMENT AND INFLATION WILL ENSUE.

4. LABOR IS ALSO DISMAYED BY WHAT THEY VIEW AS GOVERNMENT'S FAILURE TO INCLUDE FUNDAMENTAL SOCIAL AND ECONOMIC REFORM AS PART OF THE PACKAGE DESIGNED TO MEET THE CRISIS. THE UNIONS FEEL STRONGLY THAT BASIC, THOROUGHGOING REFORMS ARE VITAL TO ITALY'S ECONOMIC HEALTH. SPECIFICALLY, THEIR COMPLAINT HAS STRESSED THE VAST PROLIFERATION OF GOVERNMENT AGENCIES -- EVIDENTLY NOT EVEN THE

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GOVERNMENT KNOWS HOW MANY THERE ARE -- WHICH ABSORB ENORMOUS SUMS OF MONEY WITHOUT PROVIDING IDENTIFIABLE SERVICES. THE UNIONS WANT THESE AGENCIES SHARPLY CUT BACK IN NUMBER AND A FREEZE ON GOVERNMENTAL HIRING, WITH GOVERNMENTAL VACANCIES FILLED FROM THE HUGE RANKS OF BUREAUCRATS NOW EMPLOYED BY THE REDUNDANT ORGANIZATIONS. THE UNIONS ALSO WANT A FREEZE ON EARLY RETIREMENT WHICH IS ANOTHER OEBGY#EXPENSIVE DRAIN ON THE NATIONAL TREASURY IN ADDITION, THEY DEMAND THAT THE REFORM OF THE FRAG-

MENTED AND INEFFICIENT HEALTH INSURANCE SYSTEM BE ACCOMPLISHED AS THE GOVERNMENT HAS PROMISED AND THAT LABOR'S PERENNIAL CONCERN FOR HOUSING, URGAN TRANSPORT AND AGRICULTURAL REFORMS BE ACTED UPON.

5. BEYOND THIS, UNION DEMANDS ARE MUCH LESS SPECIFIC THOUGH NO LESS INSISTENT. THEY WANT THE GOVERNMENT TOTAKE FIRMER STEPS TO END THE MANIFOLD DODGES UNDER WHICHENTEREPENEURS,THE SELF-EMPLOYED AND THOSE IN THE PROFESSIONS AVOID CONTRIBUTING THEIR SHARE TO THE NATIONAL TAX BURDEN. EASIER SAID THAN DONE, TO BE SURE, YET SOMETHING ABOUT WHICH THEY FEEL VERY STRONGLY. THE UNIONS WANT EQUALLY VIGOROUS MEASURES TO BE TAKEN TO SEAL THE VARIOUS ROUTES EMPLOYED FOR THE FLIGHT OF CAPITAL, SUCH AS THE WIDESPREAD CUSTOM OF OVEREVALUATING IMPORTS AND UNDEREVALUATING EXPORTS AND, OF COURSE, LEAVING THE DIFFERENCE DEPOSITED ABORAD. THE UNIONS ARE NOT INSISTING UPON AN IMMEDIATE SOLUTION TO THESE PROBLEMS, BUT THEY DO INSIST UPON CONCRETE EVIDENCE THAT THE GOVERNMENT HAS THE WILL, AND A PLAN,TO ACCOMPLISH THESE ENDS.

6. THE UNIONS, IN BRIEF, AS REPRESENTATIVES OF WAGE AND SALARY EARNERS WHO HAVE THEIR TAXES DEDUCTED AT THE PAYROLL, HAVE A HEIGHTENED SENSE OF BEING CALLED UPON TO BEAR A DISPROPORTIONATE SHARE OF THE BURDEN IN ORDER TO SALVAGE THE FOUNDERING ECONOMY AND, AS STATED, ARE FAR FROM CONVINCED THAT THE MEASURES WILL SOLVE THE PROBLEM. THIS MAKES THEM UNHAPPY. THEY ARE FRUSTRATED, MOREOVER, BY THE REALIZATION THAT NO OTHER GOVERNMENT COMBINATION THAN THE ONE IN OFFICE IS TRULY AVAILABLE OR DESIRABLE.

7. TO BE SURE, THE UNIONS ARE NOT UNANIMOUS IN THEIR VIEWS. CERTAIN OF THE CONSTITUENT UNIONS, PARTICULARLY THOSE IN THE METAL TRADES, ARE REACTING MUCH MORE MILITANTLY THAN THE CONFEDERATIONS. IT IS NOT THAT THE METALS UNIONS HAVE ANY BETTER IDEA AS TO HOW TO ACHIEVE THEIR ENDS, BUT ONLY THAT THEY ARE EVEN MORE INCLINED
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THAN MOST TO RESORT TO THE USE OF THE ITALIAN TRADE UNION PANACEA, THE GENERAL STRIKE.

8. OTHER FACTIONS WITHIN THE UNIONS ARE PRESSING FOR MODERATION AND FOREBEARANCE. JUST ABOUT ALL THE ELEMENTS IN THE UIL CAN BE SAID TO BE IN THIS CATEGORY. THIS IS A BIT SURPRISING SINCE THE UIL IS PERILOUSLY DIVIDED ON OTHER ISSUES. HOWEVER, THE SOCIALISTS IN UIL, WHO CONSTITUTE THE PLURALITY AND ARE A FREQUENT SOURCE OF UNREST, ARE ACTING IN SOLIDARITY WITH THE PSI WHICH HAS GIVEN ITS SOMEWHAT SONDITIONAL SUPPORT TO THE GOVERNMENT'S PROGRAM. THE SOCIALIST MINORITY IN THE CGIL IS ALSO A MODERATING FACTOR, FOR THE SAME REASONS. ADDITIONALLY, THE CISL MINORITY, LED BY VITO SCALIA, IS CALLING FOR AN END TO THE FREQUENT USE OF THE STRIKE MECHANISM AND FOR THE CLOSING OF RANKS BEHIND THE CENTER-LEFT COALITION FOR THE SUCCESSFUL IMPLEMENTATION OF THE MEASURES

PRESCRIBED.

9. THE COMMUNISTS, AND THE LEFT WING OF CISL, WHICH CONSTITUTES A MAJORITY OF THAT ORGANIZATION'S LEADERSHIP, ARE INCLINED TOWARD A DIRECT CONFRONTATION WITH THE GOVERNMENT. THE COMMUNISTS, AS USUAL, ARE PLAYING THE GAME WITH AN EYE FOR THE FUTURE. THEY APPEAR BENT ON PRESSING THE GOVERNMENT -- ANY GOVERNMENT -- TO THE WALL AT REGULAR INTERVALS, WITHOUT BEING RESPONSIBLE FOR BRINGING THE GOVERNMENT DOWN. IN THIS PROCESS, THEY CREATE A MOOD OF NATIONAL EXASPERATION WITH THE WEAKNESSES OF CONSTITUTED AUTHORITY, THUS GRADUALLY ENHANCING THE ACCEPTABILITY OF THE PCI AS AN ACTIVE PARTICIPANT IN GOVERNMENTAL POWER. THE CISL LEFT WHICH, AFTER ALL, IS PART OF THE RULING DC, SEEMS MOTIVATED PRIMARILY BY A FEELING THAT THE PATRICIANS OF THE PARTY ARE BADLY OUT OF TUNE WITH THE NEEDS OF WAGE AND SALARY EARNERS, THAT THEY CATER TO OTHER ELEMENTS OF THE SOCIETY. THIS DISSATISFACTION COINCIDES NEATLY WITH THE COMMUNIST STRATEGY AND CREATES A COMBINATION WHICH, TO DATE, HAS GENERALLY BEEN ABLE TO DOMINATE IN CCU COUNCILS.

10. WHILE THERE ARE THESE DIVERGENCES, THAN, WITHIN THE LABOR MOVEMENT, VIRTUALLY ALL ELEMENTS ARE OF ONE MIND WITH RESPECT TO THEIR CONCERN OVER THE GOVERNMENTAL MEASURES. THEY DIFFER ONLY IN THE EXTENT TO WHICH THEY ARE WILLING TO GO TO ATTEMPT TO CONSTRAIN THE GOVERNMENT TO ALTER ITS PROGRAM.

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11. THE PSI IS PLACED IN A SOMEWHAT UNCOMFORTABLE POSITION. PRIOR TO THE NEAR-FALL OF THE CURRENT RUMOR GOVERNMENT, THE SOCIALISTS HAD LOUDLY PROCLAIMED (ROME'S 6498) THAT THE GOVERNMENT WOULD NOT SURVIVE ANY DIRECT GOVERNMENT-UNION-CONFRONTATION, I.E., THE PSI WOULD SIDE WITH THE UNIONS AND THUS BRING THE GOVERNMENT DOWN. IN THE RE-CONSTITUTION OF THE RUMOR GOVERNMENT, THE PSI HAS SLIGHTLY SHIFTED GROUND. THEY HAVE ENTERED RATHER WILLINGLY INTO THE FORMULA WHICH THE RUMOR GOVERNMENT IS IMPLEMENTING, CLAIMING A NUMBER OF PSI VICTORIES IN THE PROCESS. THEY HAVE, HOWEVER, OFFERED THE CAVEAT, "PROVIDING THE UNIONS ARE AGREEABLE."

12. THE NATURE OF THE DECISION WHICH THE CCU WILL MAKE ON JULY 13 IS OPEN TO QUESTION. THE PROCLAMATION OF A NATIONAL STRIKE, IN ADDITION TO THE REGIONAL GENERAL STRIKES ALREADY UNDER WAY, CANNOT BE EXCLUDED. WHY A STRIKE? WHAT WOULD IT ACCOMPLISH? FROM THE ITALIAN LABOR STANDPOINT, THE QUESTIONS ARE RHETORICAL. ITALIAN UNIONS RESORT TO STRIKES REPEATEDLY FOR ALL MANNER OF OSTENSIBLE REASONS; IT IS WHAT THEY DO BEST. IN THE END, HOWEVER, NEITHER THE GOVERNMENT NOR THE UNIONS HAVE ANY BASIC INTEREST IN DOING REAL HARM TO EACH OTHER. IT IS LIKELY THAT, WITH AUGUST APPROACHING WHEN ALL OF ITALY WILL BE ON HOLIDAY FOR

A MONTH, GOVERNMENT-UNION DIFFERENCES WILL BE PATCHED UP. THE GOVERNMENT MAY WELL AMELIORATE CERTAIN ASPECTS OF ITS PROGRAM, COUPLED PERHAPS WITH SOLEMN PROMISES TO EMBARK ON THE REFORMS BEING ARDENTLY ADVOCATED BY ORGANIZED LABOR. THE BASIC PROBLEMS, HOWEVER, ARE QUITE LIKELY TO RE-EMERGE, WITH GREATER FORCE, IN SEPTEMBER. VOLPE

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